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CONTRIBUTION TO STAFF PLANNING PROJECT NO. 26.

TO:

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FROM:

SUBJECT: Economic Consequences of the Loss of Southeast Asia.

Probably the most imminent of the serious actions which the Communist world can precipitate against the West in the next two years is the conquest of Southeast Asia. Such an action would result in the ^{almost complete} denial of the utilization of the area's resources to both the West and the Communist bloc.

For the West, loss of this area would remove a major source for important foodstuffs and for a variety of strategic metals. Its tin, petroleum, rubber and rice are vital to the West during the rearmament emergency. The greatest impact, however, would be focused upon Japan, which is already beset with foreign trade difficulties. If dealt such a major disruption to their pattern of foreign trade, the Japanese could not undertake extensive rearmament, nor probably even maintain economic stability, without a large economic assistance program from the U. S. *and a tightening of materials allocations.*

Communist control of Southeast Asia, however, would probably not increase the orbit's economic potential for war. Because Communist transportation facilities for moving the area's primary products to Eastern Europe are almost non-existent, Soviet European industry would be unaffected. Moreover, with the exception of rubber, Southeast Asian products have a low priority among Soviet requirements.

While the area's products are needed by the Chinese, it is doubtful that larger quantities of goods could be moved to China than ^{the small amounts} ~~could be~~ moved prior to the conquest.